

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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October 24, 2002

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

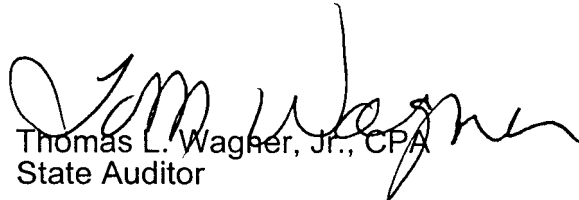
Re: AC# 3-MAS-J9 – Mariner Health Care of Seneca

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

MARINER HEALTH CARE OF SENECA

SENECA, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-MAS-J9**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

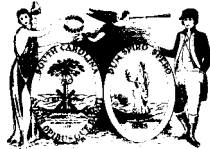
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 30, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Mariner Health Care of Seneca, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Mariner Health Care of Seneca is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

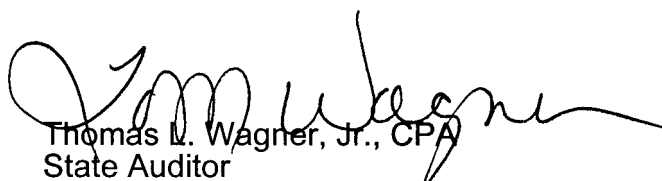
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Mariner Health Care of Seneca, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Mariner Health Care of Seneca dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
September 30, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

MARINER HEALTH CARE OF SENECA

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-MAS-J9

10/01/00-
09/30/01

Interim Reimbursement Rate (1)	\$108.23
Adjusted Reimbursement Rate	<u>101.44</u>
Decrease in Reimbursement Rate	\$ <u><u>6.79</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

MARINER HEALTH CARE OF SENECA
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2000 Through September 30, 2001
AC# 3-MAS-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$54.07	\$54.01	
Dietary		9.92	10.12	
Laundry/Housekeeping/Maintenance		<u>11.37</u>	<u>8.88</u>	
Subtotal	\$ <u>-</u>	75.36	73.01	\$ 73.01
Administration & Medical Records	\$ <u>-</u>	<u>18.32</u>	<u>10.55</u>	<u>10.55</u>
Subtotal		93.68	<u>\$83.56</u>	83.56
<u>Costs Not Subject to Standards:</u>				
Utilities		2.84		2.84
Special Services		.18		.18
Medical Supplies & Oxygen		.96		.96
Taxes and Insurance		1.71		1.71
Legal Fees		<u>.10</u>		<u>.10</u>
TOTAL		<u>\$99.47</u>		89.35
Inflation Factor (3.20%)				2.86
Cost of Capital				7.72
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-On 10/01/99				1.13
Nurse Aide Staffing Add-On 10/01/00				<u>.38</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$101.44</u>

MARINER HEALTH CARE OF SENECA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MAS-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,812,420	\$ 1,170 (4) 6,037 (11)	\$241,171 (7) 12,996 (7) 153 (8)	\$2,565,307
Dietary	501,712	-	7,333 (6) 23,933 (7)	470,446
Laundry	163,215	-	13,029 (7)	150,186
Housekeeping	217,621	924 (12)	17,041 (7) 852 (13)	200,652
Maintenance	193,437	3,383 (9) 807 (12)	8,262 (7) 787 (13)	188,578
Administration & Medical Records	947,132	138 (4) 390 (4) 1,882 (11) 812 (12)	40,081 (7) 2,228 (7) 5 (8) 15 (8) 37,633 (9) 146 (10) 782 (13)	869,464
Utilities	155,709	104 (9) 650 (12)	21,305 (2) 560 (13)	134,598
Special Services	8,726	54,528 (10)	13,753 (7) 40,790 (8)	8,711
Medical Supplies & Oxygen	261,988	-	28,728 (4) 74,487 (5) 91,112 (6) 711 (8) 13,252 (10) 7,919 (11)	45,779
Taxes and Insurance	98,041	8,543 (9) 399 (12)	25,565 (3) 330 (13)	81,088
Legal Fees	11,004	10 (12)	6,060 (9) 6 (13)	4,948

MARINER HEALTH CARE OF SENECA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MAS-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Cost of Capital	419,730	1,050 (1) 2,255 (12) 479 (14)	55,229 (9) 2,151 (13)	366,134
Subtotal	5,790,735	83,561	788,405	5,085,891
Ancillary	28,654	22,342 (4) 74,487 (5)	-	125,483
Non-Allowable	126,458	21,305 (2) 25,565 (3) 4,688 (4) 98,445 (6) 372,494 (7) 41,674 (8) 86,892 (9) 5,468 (13)	1,050 (1) 41,130 (10) 5,857 (12) 479 (14)	734,473
Total Operating Expenses	<u>\$5,945,847</u>	<u>\$836,921</u>	<u>\$836,921</u>	<u>\$5,945,847</u>
Total Patient Days	<u>47,447</u>	<u>-</u>	<u>-</u>	<u>47,447</u>
Total Beds	<u>132</u>			

MARINER HEALTH CARE OF SENECA
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MAS-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 422,601	
	Cost of Capital	1,050	
	Accumulated Depreciation		\$ 9,236
	Other Equity		413,365
	Nonallowable		1,050
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	21,305	
	Utilities		21,305
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
3	Nonallowable	25,565	
	Taxes and Insurance		25,565
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Restorative	1,170	
	Administration	138	
	Medical Records	390	
	Ancillary	22,342	
	Nonallowable	4,688	
	Medical Supplies		28,728
	To reclassify expense to the proper cost center and disallow expense due to lack of documentation HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
5	Ancillary	74,487	
	Medical Supplies		74,487
	To reclassify prescription drug expense to the proper cost center DH&HS Expense Crosswalk		

MARINER HEALTH CARE OF SENECA
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MAS-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	98,445	
	Dietary		7,333
	Medical Supplies		91,112
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
7	Nonallowable	372,494	
	Nursing		241,171
	Restorative		12,996
	Dietary		23,933
	Laundry		13,029
	Housekeeping		17,041
	Maintenance		8,262
	Administration		40,081
	Medical Records		2,228
	Special Services		13,753
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable	41,674	
	Restorative		153
	Administration		5
	Medical Records		15
	Medical Supplies		711
	Special Services		40,790
	To adjust expense to cost of related organization HIM-15-1, Section 1000		
9	Maintenance	3,383	
	Utilities	104	
	Taxes and Insurance	8,543	
	Nonallowable	86,892	
	Administration		37,633
	Legal		6,060
	Cost of Capital		55,229
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

MARINER HEALTH CARE OF SENECA
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MAS-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Special Services	54,528	
	Administration		146
	Medical Supplies		13,252
	Nonallowable		41,130
	To adjust special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
11	Nursing	6,037	
	Administration	1,882	
	Medical Supplies		7,919
	To reclassify Provider income offset HIM-15-1, Section 2304		
12	Housekeeping	924	
	Maintenance	807	
	Administration	812	
	Legal	10	
	Utilities	650	
	Taxes and Insurance	399	
	Cost of Capital	2,255	
	Nonallowable		5,857
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
13	Nonallowable	5,468	
	Housekeeping		852
	Maintenance		787
	Administration		782
	Legal		6
	Utilities		560
	Taxes and Insurance		330
	Cost of Capital		2,151
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

MARINER HEALTH CARE OF SENECA
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MAS-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Cost of Capital Nonallowable	479	479
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u><u>1,259,522</u></u>	\$ <u><u>1,259,522</u></u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MARINER HEALTH CARE OF SENECA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MAS-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>132</u>
Deemed Asset Value	4,773,780
Improvements Since 1981	1,162,537
Accumulated Depreciation at 9/30/99	<u>(1,797,347)</u>
Deemed Depreciated Value	4,138,970
Market Rate of Return	<u>.060</u>
Total Annual Return	248,338
Return Applicable to Non-Reimbursable Cost Centers	(1,005)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>1,668</u>
Allowable Annual Return	249,001
Depreciation Expense	140,623
Amortization Expense	1,809
Capital Related Income Offsets	(23,148)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,151)</u>
Allowable Cost of Capital Expense	366,134
Total Patient Days (Actual)	<u>47,447</u>
Cost of Capital Per Diem	\$ <u><u>7.72</u></u>

MARINER HEALTH CARE OF SENECA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MAS-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 7.04
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.03</u>
Reimbursable Cost of Capital Per Diem	\$ 7.72
Cost of Capital Per Diem	<u>7.72</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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